

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Southern University System**  
**State of Louisiana**  
Baton Rouge, Louisiana

January 8, 2003



***Financial and Compliance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE***  
***Legislative Auditor***

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### **LEGISLATIVE AUDITOR**

**Daniel G. Kyle, Ph.D., CPA, CFE**

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**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

Basic Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 2002

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge, New Orleans, and Shreveport offices of the Legislative Auditor.

January 8, 2003

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

Basic Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 2002

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DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

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December 17, 2002

Independent Auditor's Report  
on the Financial Statements

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of management of the Southern University System. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern University System as of June 30, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 4 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in note 1-A to the financial statements, the Southern University System implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended by GASB Statement No. 35, for fiscal year ended June 30, 2002. This results in a change in the format and content of the basic financial statements.

**LEGISLATIVE AUDITOR**

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

Audit Report, June 30, 2002

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2002, on our consideration of the Southern University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with the first name "Daniel" being the most prominent part.

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

FVP:BMcC:PEP:ss

[SU02]

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Overview of the Financial Statements and Financial Analysis**

This document presents Management's Discussion and Analysis (MD&A) and financial statements for the Southern University System for fiscal year 2002. The discussion and analysis of the System's financial statements provides a general overview of the financial activities of the System's institutions for the year. The emphasis of discussions about these statements will be on the current year financial data. The notes to the financial statements provide a summary of some of the significant accounting policies affecting all financial transactions of the System's institutions. The primary financial statements presented are the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

**Statement of Net Assets**

The Statement of Net Assets presents the assets, liabilities, and net assets of the Southern University System as of the end of fiscal year 2002. The purpose of the Statement of Net Assets is to present to the readers of the financial statements, a fiscal snapshot of the Southern University System. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities). The difference between current and noncurrent assets will be discussed in the notes to the financial statements.

From the data presented, readers of the Statement of Net Assets can determine the assets available to continue the operations of the System. They are also able to determine how much the Southern University System's institutions owe vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a summary of the combined net assets (assets minus liabilities) and their availability for expenditure by the institutions.

**Categories of Net Assets**

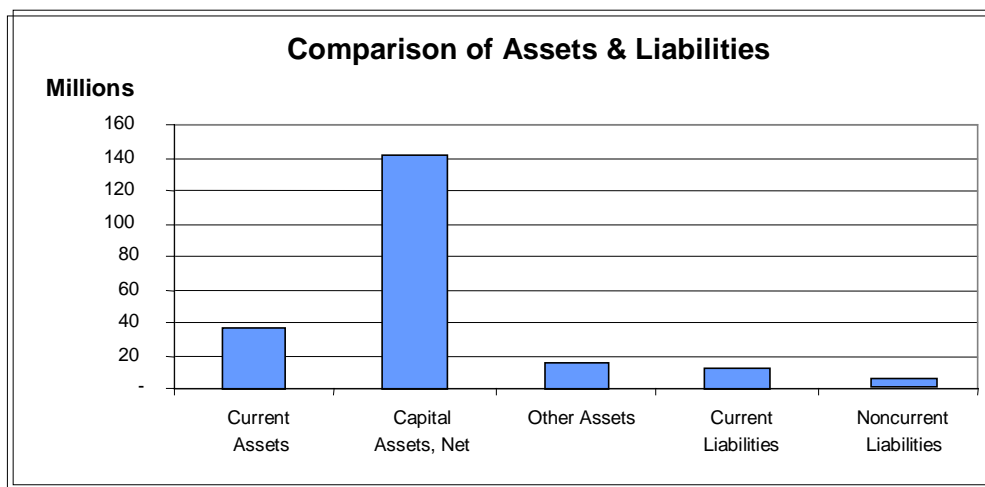
Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, indicates the total equity in property, plant and equipment that is owned by all of the System's institutions. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is only available for investment purposes. The expendable restricted net assets are available for expenditure by the various institutions but must be spent for the purposes that are designated by donors or external entities that placed the time or purpose restrictions on the use of the assets. The final category is unrestricted net assets, which are available to the institutions of the System to be used for any lawful purpose.

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

Shown below is a graphical presentation of the Condensed Statement of Net Assets.

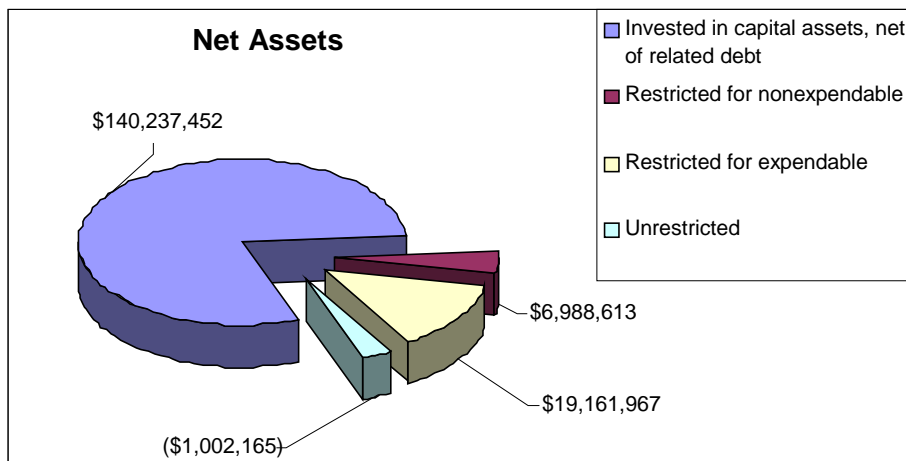
**Statement of Net Assets**  
**For the Year Ended June 30, 2002**

<b>Assets:</b>	
Current assets	\$37,582,488
Capital assets, net	140,925,570
Other noncurrent assets	<u>14,638,921</u>
 Total assets	 <u><u>\$193,146,979</u></u>
 <b>Liabilities:</b>	
Current liabilities	\$16,044,242
Noncurrent liabilities	<u>11,716,870</u>
 Total liabilities	 <u><u>\$27,761,112</u></u>
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt	\$140,237,452
Restricted - nonexpendable	6,988,613
Restricted - expendable	19,161,967
Unrestricted	<u>(1,002,165)</u>
 Total net assets	 <u><u>\$165,385,867</u></u>





**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)



The total assets of the System increased by \$3,712,444. The consumption of assets follows the System's philosophy to use available resources to acquire and improve all areas of the System's institutions, to better serve the instruction, research and public service missions of the institutions.

**Statement of Revenues, Expenses, and Changes in Net Assets**

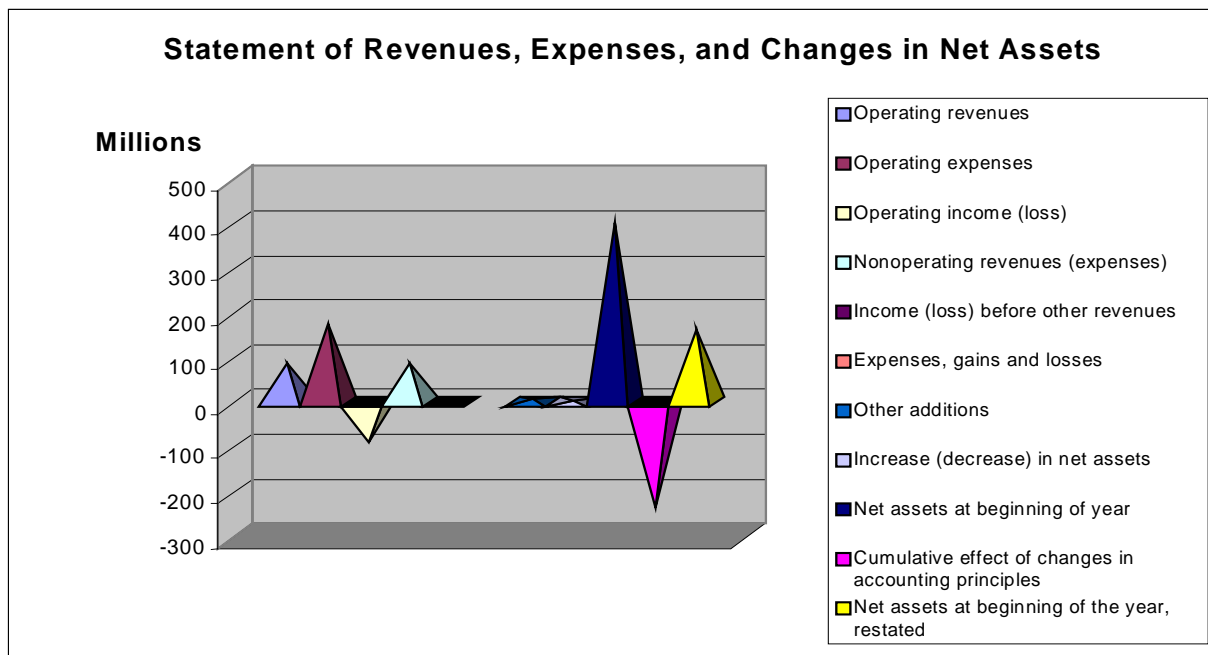
Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received and expenses paid by the System's institutions for both operating and nonoperating purposes. The statement includes any other revenues, gains, expenses or losses that were realized or incurred by the institutions during the fiscal year.

The operating revenues are received for providing goods and services to the various customers and constituencies of the institutions. The operating expenses are those expenses paid to acquire or produce the goods and services that are provided in return for the operating revenues that are received to carry out the missions of the institutions. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are considered nonoperating because they are provided by the Legislature to the institutions even though the Legislature does not receive, directly in return, goods and services for those revenues.

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

**Statement of Revenues, Expenses,  
and Changes in Net Assets  
For the Year Ended June 30, 2002**

Operating revenues	\$84,682,333
Operating expenses	<u>(178,809,786)</u>
Operating loss	(94,127,453)
Nonoperating revenues	<u>87,581,847</u>
Loss before other revenues	(6,545,606)
Other additions, net	<u>10,258,050</u>
Increase in net assets	3,712,444
Net assets at beginning of year	400,722,297
Cumulative effect of changes in accounting principles	(238,969,477)
Net assets at beginning of the year, restated	<u>161,673,423</u>
Net assets at end of the year	<u><u>\$165,385,867</u></u>



**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

Management's Discussion and Analysis (Continued)

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- The State of Louisiana appropriated \$2,532,502 to the Southern University System to assist in bringing faculty salaries closer to the Southern Region Education Board (SREB) averages. An additional \$1,427,500 was appropriated for Information Technology Initiatives. The Southern University Board of Supervisors approved a \$250 tuition increase, per academic year, that was implemented at the beginning of the 2001 fall semester. The Law Center implemented the increase during the spring semester of 2002. Beginning the 2001 fall semester, Southern University and Agricultural and Mechanical College at Baton Rouge implemented selective admission for the first time in its history. As expected, the University experienced a modest decline in enrollment. Anticipating this decline, budget adjustments were made to offset the reduction in revenues in order to maintain a balanced budget.
- The revenues for Southern University at Shreveport increased approximately 15% over fiscal year 2001. The majority of the increase can be attributed to self-generated revenues that were realized from a 42% increase in student enrollment. Additionally, there was a small increase in state appropriations during fiscal year 2002. The University is projecting this trend to continue in fiscal year 2003.
- The compensation and employee benefits category increased during the fiscal year. The University implemented a faculty pay plan to bring the salaries of all faculty members closer to their respective disciplines,' 2001-2002 SREB salary averages. Other unclassified employees on the Baton Rouge and Shreveport campuses were provided a salary increase of 5% of their annual base salary. There is a direct correlation between salaries and employer contributions toward benefits for retirees; accordingly, an increase in related benefits is also noted.
- The cost of utilities decreased by approximately \$287,946 during the fiscal year. The decrease was primarily associated with the decrease in natural gas cost that was experienced in comparison with the cost for the winter of fiscal year 2001.
- The cumulative effects of the University recording depreciation on capital assets, and making a change in the recognition of summer session revenues, during fiscal year 2002, are reflected in the financial statements. The changes were made to comply with the Governmental Accounting Standards Board's Statements 34 and 35, and the directives issued by the Division of Administration, Office of Statewide Reporting and Accounting Policy for the State of Louisiana.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

Management's Discussion and Analysis (Continued)

**Statement of Activities**

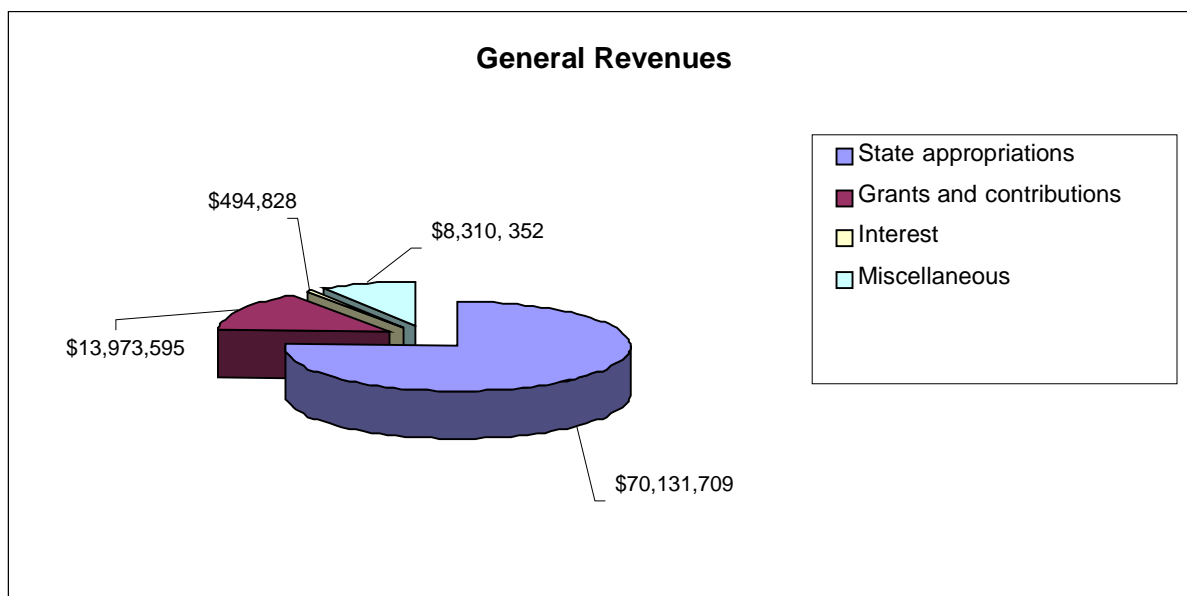
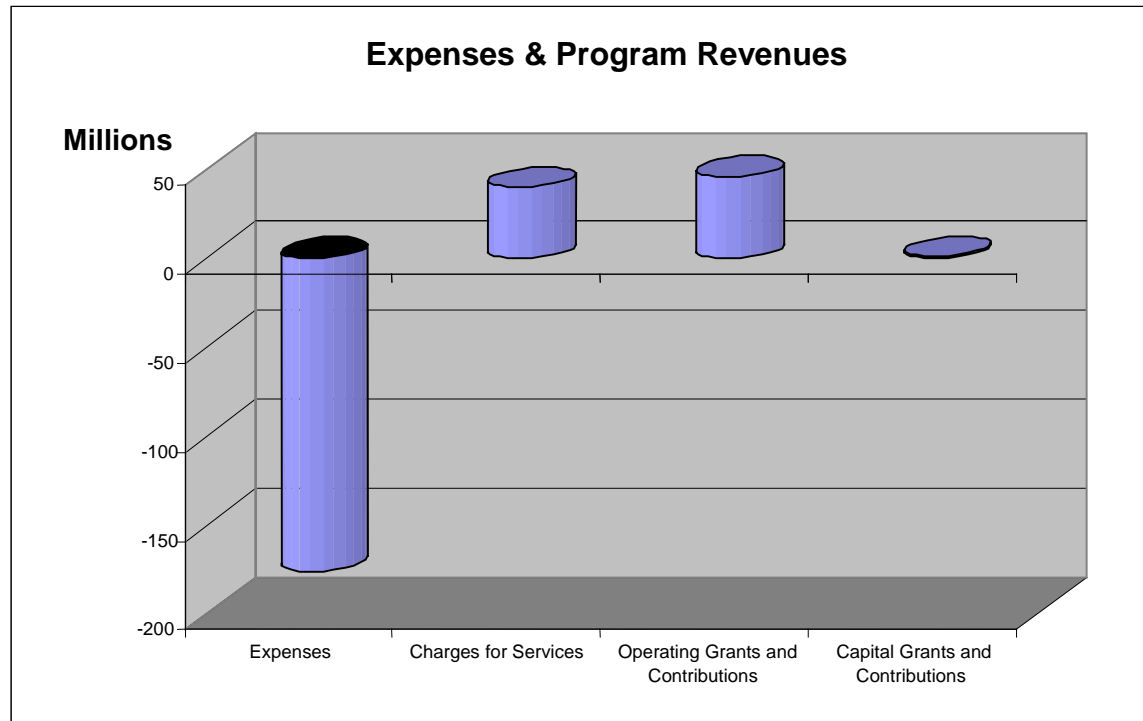
A Statement of Activities is not included nor required to be presented in the basic financial statements; however, a simplified Statement of Activities is presented below. The simplified Statement of Activities provides a summary of program revenues, consisting of charges for services, operating grants and contributions, and capital grants and contributions, minus expenses, leaving a balance that is identified as net (expense) revenue and changes in net assets.

General revenues are identified as to source: state appropriations, grants and contributions not restricted to specific programs, interest, and miscellaneous. Special items are summarized, and a change in net assets is reflected. After which, net assets - beginning, and net assets - ending for the fiscal year are shown.

**Simplified Statement of Activities  
For the Year Ended June 30, 2002**

Expenses	(\$175,710,494)
Less:	
Program Revenues:	
Charge for services	39,763,090
Operating grants and contributions	45,891,524
Capital grants and contributions	<u>857,840</u>
Net expense	<u><u>(\$89,198,040)</u></u>
Add:	
General revenues:	
State appropriations	\$70,131,709
Grants and contributions not restricted to specific programs	13,973,595
Interest	494,828
Miscellaneous	<u>8,310,352</u>
Total general revenues, special items, and transfers	<u>92,910,484</u>
Change in net assets	3,712,444
Net assets - beginning	161,673,423
Net assets - ending	<u><u>\$165,385,867</u></u>

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
 Management's Discussion and Analysis (Continued)



**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

Management's Discussion and Analysis (Continued)

**Statement of Cash Flows**

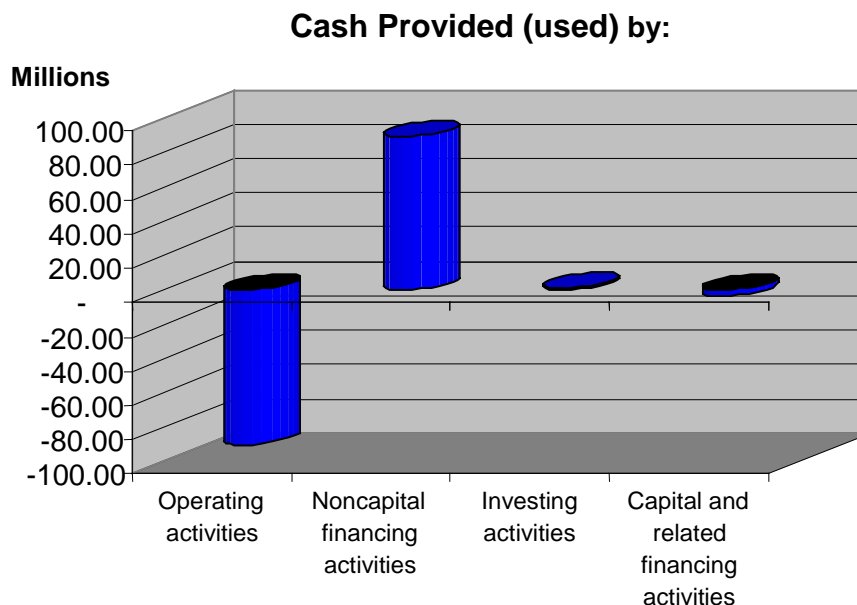
The final statement presented by the Southern University System is the Statement of Cash Flows. The Statement of Cash Flows presents summary information about the combined cash activity of the institutions during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institutions. The second section reflects cash flows from noncapital financing activities or the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section includes cash flows from capital and related financing activities, such as the acquisition and construction of capital and related items. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

**Statement of Cash Flows  
For the Year Ended June 30, 2002**

Cash provided (used by):

Operating activities	(\$89,877,495)
Noncapital activities	89,624,323
Investing activities	838,473
Capital and related financing activities	<u>(2,910,604)</u>
Net change in cash	(2,325,303)
Cash, beginning of year	<u>33,625,095</u>
Cash, end of year	<u><u>\$31,299,792</u></u>

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)



**Capital Assets and Debt Administration**

Major renovations totaling \$7,304,952, were completed at A. W. Mumford Stadium for Southern University at Baton Rouge and accepted in November 2001. Two buildings on the Southern University at New Orleans North Campus were demolished in preparation for new construction; the buildings were valued at \$2,227,850. The combined total of capital assets, net of accumulated depreciation at year end, is \$140,925,570.

The Southern University System's institutions retired \$133,353 in Bonds Payable during the fiscal year. The System did not enter into any new long-term debt during the year. The total amount of long-term debt is \$12,334,001. Included in that sum are the following:

- Compensated Absences Payable - \$11,645,963
- Bonds Payable - \$688,118

For additional information concerning Capital Assets and Debt Administration, refer to note 13 in the Notes to the Financial Statements.

**BUDGETARY PRACTICES**

The annual budget for the General Fund of the university is established by annual legislative action and by Title 39 of the Louisiana Revised Statutes. The submission of the budget for approval by the Southern University Board of Supervisors, the Louisiana Board of Regents, and other external bodies are required in the budgetary process. The other funds of the university, although subject to internal budgeting, are not required to be submitted for approval through the legislative budget process. State law provides that appropriations lapse at the end of the fiscal

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Management's Discussion and Analysis (Continued)

year. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting.

The following is an appropriation budgetary comparison for current year General Fund appropriations:

	Original	Final	Actual	Adjustment to Budget Basis	Actual on Budget Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Appropriated by Legislature:						
State General Fund (Direct)	\$64,379,154	\$67,641,947	\$70,131,709	\$68	\$70,131,777	\$2,489,830
State General Fund by Self- Generated Revenues	39,709,737	43,531,223	30,792,886	3,180,675	33,973,561	(9,557,663)
State General Fund by Self- Interagency Transfers	1,980,125	1,980,125	1,625,141		1,625,141	(354,984)
Federal Funds	2,583,592	2,583,592	2,466,343		2,466,343	(117,249)
Other				1,013,972	1,013,972	1,013,972
Total Revenues	<u>\$108,652,608</u>	<u>\$115,736,887</u>	<u>\$105,016,079</u>	<u>\$4,194,715</u>	<u>\$109,210,794</u>	<u>(\$6,526,093)</u>
<b>EXPENDITURES</b>						
Program Expenditures	<u>\$108,652,608</u>	<u>\$115,736,887</u>	<u>\$103,186,972</u>	<u>\$3,931,133</u>	<u>\$107,118,105</u>	<u>(\$8,618,782)</u>
Total Expenditures	<u>108,652,608</u>	<u>115,736,887</u>	<u>103,186,972</u>	<u>3,931,133</u>	<u>107,118,105</u>	<u>(8,618,782)</u>
<b>UNEXPENDED APPROPRIATION - CURRENT YEAR</b>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>\$2,092,689</u>	<u>NONE</u>

**Economic Outlook - Short-term**

The System's overall financial position is strong, even though the financial statements do not show this. The deficit shown in unrestricted net assets results from the reporting changes that are required for public colleges and universities upon their implementation of the Governmental Accounting Standards Board's Statement Number 34 and recording the liability for compensated absences.

The Southern University System's institutions (with the exceptions of Southern University at Shreveport and the Southern University Law Center) are experiencing a modest drop in enrollment; specifically, Southern University at Baton Rouge and Southern University at New Orleans. The decline in enrollment at Southern University and A&M College at Baton Rouge is attributed to the implementation of selective admission, which resulted in a decrease in self-generated revenues. Cost cutting measures are being implemented to ensure the financial stability of the institutions.

Even with relatively flat funding for the year, and a decrease in enrollment, the System was able to generate a modest increase in net assets. The System's management anticipates that the current fiscal year will be much like fiscal year 2002, and it will maintain a close watch over available resources of the System in order to ensure the System's ability to react to unknown internal and external issues in a timely manner.



**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Management's Discussion and Analysis (Concluded)**

The management of the System is not aware of any facts, decisions, or conditions, other than general economic conditions, that are expected to have a significant effect on the financial position or operations of the institutions during fiscal year 2003.

**Economic Outlook - Long-Term**

There is concern within the University System regarding adequate and continuous funding to support programs that are being implemented under the United States versus State of Louisiana Settlement Agreement. The Southern University System received \$3,525,766 to support implementation of the programs during fiscal year 2002. The Agreement is scheduled to expire on the 31<sup>st</sup> day of December 2005. A firm commitment is needed regarding funding, upon expiration of the Desegregation Settlement Agreement, so that stability and program productivity can be maintained. The lack of a firm commitment regarding continuous funding leads to speculation, which has a negative impact on the desired outcomes at the institutions responsible for the programs.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statements of Net Assets  
June 30, 2002**

**ASSETS**

Current assets:

Cash and cash equivalents (note 2)	\$20,857,990
Receivables, net (note 4):	
Tuition and fees	1,588,502
Auxiliary enterprises	701,855
Grants and contracts	12,420,438
Other	946,116
Inventories	241,698
Deferred charges and prepaid expenses	493,604
Notes receivable (net) (note 5)	325,162
Other current assets	7,123
Total current assets	<u>37,582,488</u>

Noncurrent assets:

Restricted cash and cash equivalents (note 2)	10,441,802
Investments (note 3)	3,874,008
Notes receivable (net) (note 5)	4,518
Capital assets (net) (note 6)	140,925,570
Other noncurrent assets	318,593
Total noncurrent assets	<u>155,564,491</u>
Total assets	<u>193,146,979</u>

**LIABILITIES**

Current liabilities:

Accounts payables and accruals (note 12)	7,732,715
Deferred revenues (note 11)	6,577,600
Compensated absences (note 10)	476,858
Amounts held in custody for others	780,538
Bonds payable - current portion (note 13)	140,353
Other current payables	336,178
Total current liabilities	<u>16,044,242</u>

Noncurrent liabilities:

Compensated absences (note 10)	11,169,105
Bonds payable (note 13)	547,765
Total noncurrent liabilities	<u>11,716,870</u>
Total liabilities	<u>27,761,112</u>

**NET ASSETS**

Invested in capital assets, net of related debt	140,237,452
Restricted for (note 16):	
Nonexpendable	6,988,613
Expendable	19,161,967
Unrestricted (deficit)	<u>(1,002,165)</u>
Total net assets	<u>\$165,385,867</u>

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Fiscal Year Ended June 30, 2002**

**OPERATING REVENUES**

Student tuition and fees (net of scholarship allowances of \$11,714,423)	\$24,872,510
Federal appropriations	2,465,741
Federal grants and contracts	40,292,651
State and local grants and contracts	2,062,825
Nongovernmental grants and contracts	98,026
Sales and services of educational departments	2,414
Auxiliary enterprise revenues (net of scholarship allowances of \$384,970)	11,098,159
Other operating revenues	3,790,007
Total operating revenues	<u>84,682,333</u>

**OPERATING EXPENSES**

Educational and general:	
Instruction	49,590,662
Research	6,950,860
Public service	7,703,951
Academic support	24,670,376
Student services	17,255,509
Institutional support	20,158,545
Operation and maintenance of plant	12,925,491
Depreciation	7,795,217
Scholarships and fellowships	16,082,214
Auxiliary enterprises	13,436,720
Other operating expenses	2,240,241
Total operating expenses	<u>178,809,786</u>
<b>OPERATING LOSS</b>	<u>(94,127,453)</u>

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	70,131,709
Gifts	1,055,516
Investment income	425,250
Interest expense	(53,430)
Other nonoperating revenues	16,022,802
Net nonoperating revenues	<u>87,581,847</u>

**LOSS BEFORE OTHER REVENUES**

(6,545,606)

Capital appropriations	8,181,490
Capital grants and gifts	857,840
Additions to permanent endowment	370,000
Other additions, net	848,720
<b>INCREASE IN NET ASSETS</b>	<u>3,712,444</u>

**NET ASSETS - BEGINNING OF YEAR (RESTATED)** (note 17)

161,673,423

**NET ASSETS - END OF YEAR**

\$165,385,867

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2002**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Tuition and fees	\$20,716,858
Grants and contracts	43,731,641
Payments to suppliers	(38,078,436)
Payments for utilities	(4,755,874)
Payments to employees	(91,856,442)
Payments for benefits	(17,716,677)
Payments for scholarships and fellowships	(16,182,870)
Loans issued to students and employees	(76,911)
Direct lending receipts	972,281
Direct lending payments	(972,281)
Auxiliary enterprise charges	11,141,049
Sales and services of educational departments	2,414
Other receipts	3,197,753
Net cash used by operating activities	<u>(89,877,495)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

State appropriations	70,131,288
Gifts and grants for other than capital purposes	11,716,423
Private gifts for endowments purposes	993,782
TOPS receipts	1,617,074
TOPS disbursements	(1,679,877)
Federal Family Education Loan program receipts	49,736,227
Federal Family Education Loan program disbursements	(49,804,321)
Student organization agency transactions	(155,539)
Other receipts (disbursements)	7,069,266
Net cash provided by noncapital financing sources	<u>89,624,323</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:**

Capital appropriations received	8,181,490
Capital grants and gifts received	857,840
Purchases of capital assets	(11,249,028)
Principal paid on capital debt and leases	(133,353)
Interest paid on capital debt and leases	(53,430)
Other sources	(514,123)
Net cash used by capital financing activities	<u>(2,910,604)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from sales and maturities of investments	255,345
Interest received on investments	701,987
Purchase of investments	(118,859)
Net cash provided for investing activities	<u>838,473</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(2,325,303)

**CASH AT BEGINNING OF YEAR**

33,625,095

**CASH AT YEAR-END**

\$31,299,792

(Continued)

The accompanying notes are an integral part of this statement.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA  
Statement of Cash Flows, 2002**

**RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)**

**TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	(\$94,127,453)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation expense	7,795,217
Changes in assets and liabilities:	
Increase in accounts receivable (net)	(2,639,285)
Increase in due from federal government	(944,904)
Decrease in inventories	173,813
Increase in prepaid expenses	(152,524)
Decrease in other assets	192,210
Decrease in accounts payable	(517,857)
Decrease in deferred revenue	(781,392)
Increase in amounts held for others	7,891
Increase in compensated absences	1,062,836
Increase in other liabilities	130,864
Decrease in loans to students and employees	(76,911)

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

**(\$89,877,495)**

(Concluded)

The accompanying notes are an integral part of the financial statements.

## **SOUTHERN UNIVERSITY SYSTEM STATE OF LOUISIANA**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2002

### **INTRODUCTION**

The Southern University System is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana, within the executive branch of government. The university is under the management and supervision of the Southern University Board of Supervisors; however, the annual budget of the university and changes to the degree programs, departments of instruction, et cetera, require the approval of the Louisiana Board of Regents. The board of supervisors is comprised of 17 members appointed by the governor with consent of the Louisiana Senate for a six-year term and one student member appointed for a one-year term by a council composed of the student body presidents of the university. As a state university, operations of the university's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

In April 1880, Southern University was chartered by the General Assembly of the State of Louisiana. The first site of the university was in New Orleans on Calliope Street and the university opened on March 7, 1881, with 12 students. In 1890, an Agriculture and Mechanical Department was established, and in 1891, Southern University was recognized by the Federal Government as a Land Grant College under the Federal Act of 1890, known as the Second Morrill Act. In 1914, Southern University in New Orleans was closed by legislative authorization, and Southern University was opened in Scotlandville, Louisiana. It is now the Southern University System, composed of campuses located in Baton Rouge, New Orleans, and Shreveport and is managed by the Southern University Board of Supervisors. The New Orleans and Shreveport campuses were established in September 1959 and September 1967, respectively.

The universities offer numerous bachelor degrees in the areas of agriculture, arts and humanities, business, education, science, engineering, and home economics. In addition, master degrees are offered in the Graduate School and Jurist Doctorate degrees are offered through the university's Law Center. During the summer, fall, and spring semesters of the 2001-2002 fiscal year, the university conferred 2,110 degrees, and student enrollment was 34,306. Southern University has 929 faculty members.

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. BASIS OF PRESENTATION**

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared in accordance with such principles.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. As a component unit of the State of Louisiana, the Southern University System is required to adopt GASB 34 and 35, as amended by GASB 36, 37, and 38. The financial statement presentation required by GASB 34 and 35 replaces the fund-group perspective previously required and provides a comprehensive, entity-wide perspective of the institution's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

**B. REPORTING ENTITY**

The GASB, Code Section 2100, has defined the governmental reporting entity to be the State of Louisiana. The system is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the system primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the Southern University System, a component unit of the State of Louisiana.

Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements. The basic financial statements are audited by the Louisiana Legislative Auditor.

**C. BASIS OF ACCOUNTING**

For financial reporting purposes, the system is considered a special-purpose government engaged only in business-type activities. All activities of the system are accounted for within a single proprietary (enterprise) fund. Accordingly, the Southern University System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The system has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The institution has elected to not apply FASB pronouncements issued after the applicable date.

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**D. BUDGET PRACTICES**

The State of Louisiana's appropriation is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. The Joint Legislative Committee on the Budget grants budget revisions. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for June are not prorated but are recognized in the succeeding year; and (4) inventories are recorded as expenditures at the time of purchase.

**E. CASH AND CASH EQUIVALENTS  
AND INVESTMENTS**

The system defines cash as cash on hand, demand deposits, and interest-bearing demand deposits. Cash equivalents include time deposits. Under state law, the system may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the system may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash equivalents reported on the Statement of Net Assets include all negotiable certificates of deposit, regardless of maturity. These terms are also used in the preparation of the Statement of Cash Flows.

In accordance with Louisiana Revised Statute (R.S.) 49:327, the system is authorized to invest funds in direct United States Treasury obligations, United States government agency obligations, and money market funds. In addition, funds derived from gifts and grants, endowments, and reserve funds established in accordance with bond issues may be invested as stipulated by the conditions of the gift instrument or bond indenture. Investments maintained in investment accounts in the Southern University System Foundation are authorized by policies and procedures established by the Board of Regents. Investments are reported at fair value in accordance with GASB Statement 31. Changes in the carrying value of investments, resulting from unrealized gains and losses, are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

**F. INVENTORY**

Inventories are valued at the lower of cost or market on the weighted-average basis. The system uses periodic and perpetual inventory systems and accounts for its inventories using the consumption method.



**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**G. NONCURRENT CASH AND INVESTMENTS**

Cash that is externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets is reported as noncurrent assets. Noncurrent investments consist of endowments and similar type accounts for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity. Some cash and all investments are classified as noncurrent assets in the Statement of Net Assets.

**H. CAPITAL ASSETS**

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the institution's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million is also capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property.

**I. DEFERRED REVENUES**

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but are related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**J. COMPENSATED ABSENCES**

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Act 343 of 1993 allows members of the Louisiana State Employees' Retirement System, upon application for retirement, the option of receiving an actuarially determined lump sum

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

payment for annual and sick leave that would otherwise have been used to compute years of service for retirement. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

Upon termination or transfer, a classified employee will be paid for any one and one-half hour compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the classified employee's hourly rate of pay at termination or transfer.

**K. NONCURRENT LIABILITIES**

Noncurrent liabilities include (1) principal amounts of revenue bonds payable with maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year. Revenue bonds payable are reported at face value.

**L. POSTEMPLOYMENT HEALTH CARE  
AND LIFE INSURANCE BENEFITS**

The Southern University System provides certain continuing health care and life insurance benefits for its retired employees. The system recognizes the cost of providing these retiree benefits as an expense when paid during the year.

**M. NET ASSETS**

Net assets comprise the various net earnings from operation, nonoperating revenues, expenses, and contributions of capital. Net assets are classified in the following components:

- (a) Invested in capital assets, net of related debt consist of the system's total investment in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net assets - nonexpendable consist of endowments and similar type funds for which donors or other outside sources have stipulated that, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- (c) Restricted net assets - expendable consist of resources that the system is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

- (d) Unrestricted net assets consist of resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of each university and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the system's policy is to first apply the expense toward unrestricted resources, then toward restricted resources.

**N. CLASSIFICATION OF REVENUES**

The system has classified its revenues as either operating or nonoperating according to the following criteria:

- (a) Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) most federal, state, and local grants and contracts and federal appropriations.
- (b) Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, and investment income.

**O. SCHOLARSHIP DISCOUNTS AND ALLOWANCES**

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for services (tuition and fees) provided by each university and the amount that is paid by students and/or third parties making payments on the students' behalf.

**P. ACCOUNTING CHANGES**

As a result of the adoption of GASB Statement No. 35, the system was also required to make certain changes in accounting principles, specifically, (1) the adoption of depreciation on capital assets; (2) changes in capitalization thresholds for capital assets; (3) the allocation of certain summer semester revenues and expenses between fiscal years rather than recognizing all of the revenues and expenses in the fiscal year in which the semester was predominantly conducted; and (4) reporting of student tuition and fees net of discount and allowances. The cumulative effect of these changes on years prior to fiscal year 2002 are shown in note 17.

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**2. CASH AND CASH EQUIVALENTS**

At June 30, 2002, the system has cash and cash equivalents (book balances) totaling \$31,299,792 comprised as follows:

Demand deposits	\$25,348,867
Interest-bearing demand deposits	869,546
Time deposits	4,800,072
Petty cash (on hand)	4,200
Cash in trust accounts	177,571
Cash in State Treasury	<u>99,536</u>
Total	<u><u>\$31,299,792</u></u>

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2002, the system has \$37,615,707 in deposits (collected bank balances) that are secured from risk in the following manner:

Bank balances (collected balances):	
Insured or collateralized with securities held by the entity or its agent in the entity's name - GASB Category I	\$798,696
Collateralized with securities held by the pledging institution's trust department or agent in the entity's name - GASB Category 2	<u>36,817,011</u>
Total bank balances	<u><u>\$37,615,707</u></u>

**3. INVESTMENTS**

At June 30, 2002, the system has investments totaling \$3,874,008 as shown on Statement A. These investments include unrealized losses of \$206,473. In accordance with GASB Codification Section 150.125, the investments listed as follows are considered to be Category 1, which represents those investments insured or registered in the system's name or securities held by the system or its agent in the system's name.

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

A summary of system investments follows:

	Fair Value June 30, 2002
Category 1:	
Money market funds	\$533,655
U.S. Treasury notes and bonds	56,914
Total categorized investments	590,569
Investments not categorized:	
Mutual funds	700,304
Investments held by private foundations	2,583,135
Total	\$3,874,008

#### 4. RECEIVABLES

Receivables are shown on Statement A net of an allowance for doubtful accounts as follows:

	Receivables	Allowance for Doubtful Accounts	Receivables (Net)
Student tuition and fees (including \$318,593 classified as other noncurrent assets)	\$2,891,468	\$984,373	\$1,907,095
Auxiliary enterprises	701,855		701,855
Federal, state, and private grants and contracts	12,420,438		12,420,438
Other	946,116		946,116
Total	\$16,959,877	\$984,373	\$15,975,504

#### 5. NOTES RECEIVABLE

Notes receivable are comprised of loans to students under the Federal Perkins Loan program and Student Government Association loans. Loans are no longer issued under the Federal Perkins Loan program, but collections are still made on outstanding loans. Student Government Association loans are funded from self-assessed student fees and are available to qualified students for books and emergency financial needs.

Notes receivable are shown on Statement A net of an allowance for doubtful accounts at June 30, 2002. These receivables are composed of the following:

	Notes Receivable	Allowance for Doubtful Accounts	Notes Receivable (Net)	Noncurrent Portion
Perkins Loan Program	\$2,731,092	\$2,725,580	\$5,512	\$4,518
Student Government Association loans	324,908	740	324,168	
Total	\$3,056,000	\$2,726,320	\$329,680	\$4,518

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**6. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ending June 30, 2002, is as follows:

	Balance July 1, 2001	Adjustment	Adjusted Balance July 1, 2001	Additions
Capital assets not being depreciated:				
Land	\$6,921,842		\$6,921,842	
Construction-in-progress	6,912,542		6,912,542	\$6,567,619
 Total capital assets not being depreciated	 \$13,834,384	 NONE	 \$13,834,384	 \$6,567,619
Capital assets being depreciated:				
Infrastructure		\$23,184,000	\$23,184,000	
Less accumulated depreciation		(21,445,200)	(21,445,200)	(\$173,880)
Total infrastructure	NONE	1,738,800	1,738,800	(173,880)
Land improvements	\$5,140,917	(2,413,992)	2,726,925	
Less accumulated depreciation		(2,361,313)	(2,361,313)	(38,181)
Total land improvements	5,140,917	(4,775,305)	365,612	(38,181)
Buildings	209,907,362	(5,568,319)	204,339,043	2,006,277
Less accumulated depreciation		(89,638,201)	(89,638,201)	(4,714,412)
Total buildings	209,907,362	(95,206,520)	114,700,842	(2,708,135)
Equipment	46,842,372	(21,986,562)	24,855,810	1,047,767
Less accumulated depreciation		(20,181,582)	(20,181,582)	(1,438,112)
Total equipment	46,842,372	(42,168,144)	4,674,228	(390,345)
Library books	100,009,821	(3,574,110)	96,435,711	1,434,970
Less accumulated depreciation		(93,799,603)	(93,799,603)	(1,430,632)
Total library books	100,009,821	(97,373,713)	2,636,108	4,338
Livestock	101,335	(101,335)	NONE	
Less accumulated depreciation				
Total livestock	101,335	(101,335)	NONE	NONE
Total capital assets being depreciated	\$362,001,807	(\$237,886,217)	\$124,115,590	(\$3,306,203)
Capital assets summary:				
Capital assets not being depreciated	\$13,834,384		\$13,834,384	\$6,567,619
Capital assets being depreciated	362,001,807	(\$10,460,318)	351,541,489	4,489,014
Total cost of capital assets	375,836,191	(10,460,318)	365,375,873	11,056,633
Less accumulated depreciation		(227,425,899)	(227,425,899)	(7,795,217)
Capital assets, net	\$375,836,191	(\$237,886,217)	\$137,949,974	\$3,261,416

The June 30, 2001, balance of capital assets has been adjusted by \$23,184,000 to recognize infrastructure, by (\$30,070,208) to reflect a change in the system's capitalization policy on equipment, buildings, and land improvements, by (\$227,425,899) to recognize accumulated depreciation, and by (\$3,574,110) to reflect the change in capitalization policy on library books. The Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP) revised its capitalization policy to include only those assets with an original acquisition cost of \$5,000 or more for depreciable equipment, \$100,000 or more for buildings and depreciable land

<u>Transfers</u>	<u>Retirements</u>	<u>Balance June 30, 2002</u>
		\$6,921,842
(\$6,912,542)		6,567,619
<u>(\$6,912,542)</u>	<u>NONE</u>	<u>\$13,489,461</u>
		\$23,184,000
		(21,619,080)
<u>NONE</u>	<u>NONE</u>	<u>1,564,920</u>
		2,726,925
		(2,399,494)
<u>NONE</u>	<u>NONE</u>	<u>327,431</u>
\$6,912,542	(\$2,227,850)	211,030,012
	2,227,850	(92,124,763)
<u>6,912,542</u>	<u>NONE</u>	<u>118,905,249</u>
	(186,497)	25,717,080
	140,674	(21,479,020)
<u>NONE</u>	<u>(45,823)</u>	<u>4,238,060</u>
	(239,997)	97,630,684
		(95,230,235)
<u>NONE</u>	<u>(239,997)</u>	<u>2,400,449</u>
		NONE
<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
<u>\$6,912,542</u>	<u>(\$285,820)</u>	<u>\$127,436,109</u>
(\$6,912,542)		\$13,489,461
<u>6,912,542</u>	<u>(\$2,654,344)</u>	<u>360,288,701</u>
<u>NONE</u>	<u>(2,654,344)</u>	<u>373,778,162</u>
	2,368,524	(232,852,592)
<u>NONE</u>	<u>(\$285,820)</u>	<u>\$140,925,570</u>

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

improvements, and \$3 million or more for infrastructure. In addition, under OSRAP's revised policy, library collections with a total acquisition cost of less than \$5 million are not capitalized and depreciated. GASB Statement No. 34 requires the recognition of depreciation on fixed assets, resulting in the recognition of accumulated depreciation for prior years.

**7. PENSION PLANS**

*Plan Description.* Substantially all employees of the system are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. The State of Louisiana guarantees benefits granted by the retirement systems by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems; employee benefits vest with TRS after five years of service and with LASERS after ten years of service. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

*Funding Policy.* The contribution requirements of plan members and each university are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 13.1% of covered salaries to TRS and 13% of covered salaries to LASERS for fiscal year 2002 and 14.2% of covered salaries to TRS and 13% of covered salaries to LASERS for fiscal year 2001. The State of Louisiana, through the annual appropriation to each university, funds the employer contribution. The employer contributions to TRS for the years ended June 30, 2002, 2001, and 2000, were \$5,037,560, \$4,848,564, and \$5,125,375, respectively, and to LASERS for the years ended June 30, 2002, 2001, and 2000, were \$3,017,691, \$2,930,523, and \$2,719,212, respectively, equal to the required contributions for each year.

**8. OPTIONAL RETIREMENT SYSTEM**

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid universities in recruiting employees who may not be expected to remain in the TRS for ten or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.



**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by each university are 13.1% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

Employer contributions to the optional retirement plan totaled \$2,092,334 for the year ended June 30, 2002.

**9. POSTEMPLOYMENT HEALTH CARE  
AND LIFE INSURANCE BENEFITS**

The system provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the system's employees become eligible for these benefits if they reach normal retirement age while working for the university. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the system. The system recognizes the cost of providing these benefits to retirees (system's portion of premiums) as an expense when paid during the year. These retiree benefits totaled \$2,186,646 for the year ended June 30, 2002. The total number of retirees is 533 at June 30, 2002.

**10. COMPENSATED ABSENCES**

At June 30, 2002, employees of the system have accumulated and vested annual leave, sick leave, and compensatory leave of \$5,027,393, \$6,601,509, and \$17,061, respectively. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

**11. DEFERRED REVENUES**

The following is a summary of deferred revenues at June 30, 2002:

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

<u>Account Name</u>	<u>Amount</u>
Prepaid tuition and fees	\$2,182,122
Prepaid athletic ticket sales	234,991
Prepaid vending	2,100
Grants and contracts	4,158,387
Total deferred revenues	<u>\$6,577,600</u>

**12. PAYABLES**

The following is a summary of payables at June 30, 2002:

<u>Account Name</u>	<u>Amount</u>
Vendor payables	\$3,108,396
Accrued salaries and payroll deductions	4,234,802
Other	389,517
Total payables	<u>\$7,732,715</u>

**13. LONG-TERM LIABILITIES**

The following is a summary of bonds and notes payable and other long-term transactions of the system for the year ended June 30, 2002:

	<u>Balance, June 30, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2002</u>	<u>Amounts Due Within One Year</u>
Bonds and notes payable - revenue bonds payable	\$821,471		\$133,353	\$688,118	\$140,353
Other liabilities - accrued compensated absences	10,583,127	\$1,062,836		11,645,963	476,858
Total long-term liabilities	<u>\$11,404,598</u>	<u>\$1,062,836</u>	<u>\$133,353</u>	<u>\$12,334,081</u>	<u>\$617,211</u>

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

The additions and reductions to compensated absences during the fiscal year ended June 30, 2002, represent the net change during the years because the additions and deductions could not readily be determined.

**14. BONDS AND REIMBURSEMENT  
CONTRACTS PAYABLE**

Bonds and reimbursement contracts payable consisted of the following for the year ended June 30, 2002:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2001</u>
Expansion of Student Union Building Bonds Series 1974	February 15, 1974	\$1,400,000	\$300,000
A. W. Mumford Stadium Track Resurfacing Bonds Series 1993	November 1, 1993	650,000	470,000
Reimbursement Contract - Reroofing Dunn Hall	February 1, 1991	125,002	<u>51,471</u>
Total			<u><u>\$821,471</u></u>

The scheduled maturities of the bonds and reimbursement contract at June 30, 2002, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2003	\$140,353	\$45,236
2004	147,353	36,555
2005	45,353	27,345
2006	48,353	24,441
2007	51,353	21,274
2008-2012	225,353	52,097
2013-2017	<u>30,000</u>	<u>2,125</u>
Total	<u><u>\$688,118</u></u>	<u><u>\$209,073</u></u>

<u>Redeemed</u>	<u>Outstanding June 30, 2002</u>	<u>Final Maturity Year</u>	<u>Interest Rates</u>	<u>Interest Outstanding June 30, 2002</u>
\$95,000	\$205,000	2004	6.2-6.25%	\$19,375
31,000	439,000	2013	7.0-8.5%	189,697
<u>7,353</u>	<u>44,118</u>	2007		<u>NONE</u>
<u>\$133,353</u>	<u>\$688,118</u>			<u>\$209,072</u>

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

The following is a summary of the debt service reserve requirements of the various bond issues outstanding at June 30, 2002.

	Cash/ Investment Reserves Available	Reserve Requirements	Excess
Expansion of Student Union Building Bonds - Series 1975	\$577,529	\$112,813	\$464,716
A. W. Mumford Track Project	100,033	49,798	50,235
Total	<u>\$677,562</u>	<u>\$162,611</u>	<u>\$514,951</u>

**15. LESSOR LEASES**

The system's leasing operations consist primarily of the leasing of property for the purposes of providing food services to students and bookstore operations.

The following schedule provides an analysis of the cost and carrying amount of the system's investment in property on operating leases and property held for lease as of June 30, 2002:

<u>Nature of Lease</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Amount</u>
Office space	\$4,547,010	\$2,571,788	\$1,975,222
Equipment	147,400	145,349	2,051
Total	<u>\$4,694,410</u>	<u>\$2,717,137</u>	<u>\$1,977,273</u>

As of June 30, 2002, the minimum future rental for the operating leases for fiscal year 2003 was \$1,127,000.

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume. Contingent rentals amounted to \$30,855 for the year ended June 30, 2002.

**16. RESTRICTED NET ASSETS**

The system has the following restricted net assets at June 30, 2002:

**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

	<u>Amount</u>
Nonexpendable - endowments	<u>\$6,988,613</u>
Expendable:	
Gifts, grants, and contracts	\$4,388,286
Quasi-endowments	128,922
Endowment income	215,849
Student fees	3,991,153
Student loans	732,759
University plant projects	7,169,786
Debt service requirements	<u>2,535,212</u>
Total expendable	<u>\$19,161,967</u>

**17. RESTATEMENT OF NET ASSETS**

Accounting changes made as described in note 1-P resulted in a change in reporting to conform to GASB 35. The following adjustments were made to restate beginning net assets for June 30, 2001:

	<u>Fund Balance</u> <u>July 1, 2001</u>	<u>Adjustments</u>	<u>Beginning</u> <u>Net Assets</u> <u>July 1, 2001</u>
Invested in plant	\$375,014,720	(\$237,886,217)	\$137,128,503
Restricted - nonexpendable	7,114,197		7,114,197
Restricted - expendable	22,877,004	(243,893)	22,633,111
Unrestricted	<u>(4,283,624)</u>	<u>(918,764)</u>	<u>(5,202,388)</u>
Total	<u>\$400,722,297</u>	<u>(\$239,048,874)</u>	<u>\$161,673,423</u>

Adjustments to net assets at July 1, 2001, included (\$237,886,217) for accumulated depreciation and assets not capitalized and (\$1,162,657) for summer session revenues and expenses.

**18. UNRESTRICTED NET ASSETS DEFICIT**

As shown on Statement A, as of June 30, 2002, the system has an unrestricted net assets deficit of \$1,002,165 as a result of recording the liability for compensated absences. The deficit will be funded by future state appropriations and other revenues.

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**19. CONTINGENT LIABILITIES AND  
RISK MANAGEMENT**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by appropriation from the state's General Fund.

The system is involved in 135 lawsuits at June 30, 2002. In the opinion of legal counsel of the system, the total dollar amount of potential liability in presently prosecuted actions where there is a probable likelihood that an asset of the state has been impaired or a liability has been incurred as of fiscal year end June 30, 2002, is \$953,313. Any losses resulting from these lawsuits would be paid by the Office of Risk Management.

**20. RELATED PARTY TRANSACTIONS**

During fiscal year ended June 30, 2002, the system had a relationship with the Southern University System Foundation. The Southern University System Foundation has a cooperative endeavor with the system to promote activities of the Southern University Athletic Department and coordinates the ancillary activities of the Bayou Classic weekend.

**21. DONOR RESTRICTED ENDOWMENTS**

If a donor has not provided specific instructions, state law permits the Southern University System Board of Supervisors to authorize expenditure of the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

At June 30, 2002, net appreciation of donor restricted endowments is equal to \$1,016,646 of which \$215,849 is available to be spent for restricted purposes. The system limits endowment spending to the income earned in a given year for purposes specified by donors. The donated portion of the endowments is reported in restricted net assets - nonexpendable in the Statement of Net Assets; the endowment income is reported in restricted net assets - expendable.

**22. FOUNDATIONS**

The accompanying financial statements do not include the accounts of the Southern University System Foundation, the Southern University Shreveport Foundation, and the Southern University New Orleans Foundation. These foundations are separate corporations whose financial statements are subject to audit by independent certified public accountants.

Southern University System has contracted with the Southern University System Foundation to invest the system's Endowed Chair for Eminent Scholars endowment funds and Endowed Professorship Program endowment funds, which were created in accordance with R.S. 17:3384. The Endowed Chairs for Eminent Scholars endowment funds are established for \$1,000,000 each, with \$600,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education, while the Endowed Professorship Program

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

endowment funds are established for \$100,000 each, with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. The original endowment base including the state matching portion and private contributions totaled \$2,539,365. At June 30, 2002, the Foundation holds in custody \$2,583,135 of Endowed Chair and Endowed Professorship endowment funds invested for the system.

Certain operating expenses of the Southern University System Foundation for the year (assumed by Southern University System and included in expenses, Statement B) are summarized as follows:

Salaries and related benefits	\$155,098
Operating services	6,582
Supplies	976
Acquisitions	985
	<hr/>
Total	<u>\$163,641</u>

**23. PER DIEM PAID BOARD MEMBERS**

Members of the Southern University Board of Supervisors receive \$50 per diem for each day of attendance of board meetings, committee meetings, or while on business for the board, as authorized by R.S. 17:3206. A summary of per diem paid board members for the year ended June 30, 2002, is as follows:

<u>Name</u>	<u>Amount</u>
Belton, John	\$850
Alexander, Angela J.	450
Baptiste, Harrison J.	950
Bell, Dottie H.	800
Bilberry, Jesse B, Jr.	500
Caiton, Richard J.	950
Clayton, Antoinio M.	850
Dejoie, Bertel J.	450
Gilliam, Sam Albert	800
Guidry, Walter Jr.	800
Joseph, John	1,000
Kiefer, Anne Z.	350
Lawson, Myron K.	700
Miller, Louis	500
Polk, Lea M.	600
Russ, Derek	50
Wilson, Avery D.	500
	<hr/>
Total	<u>\$11,100</u>



**SOUTHERN UNIVERSITY SYSTEM**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Concluded)

**24. DEFERRED COMPENSATION PLAN**

Certain employees of the Southern University System participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report of the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

**OTHER REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***

The following pages contain a report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

December 17, 2002

Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of the Basic Financial Statements  
Performed in Accordance With *Government Auditing Standards*

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the basic financial statements of the Southern University System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Southern University System's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that is required to be reported herein under *Government Auditing Standards*.

**Part-time Instructor Paid for  
Teaching Services Not Provided**

Southern University at New Orleans (SUNO) paid a part-time instructor, Mr. Richard Pennington, \$9,000 a semester to teach two classes, while he served as the Chief of Police in New Orleans, but based on the information we have been provided by the university, he taught only one class. Certain SUNO Departmental Attendance Records for Mr. Pennington appear to be fraudulently prepared and the university was not able to provide a contract or required personnel forms for Mr. Pennington for the 2000-2001 academic year. These actions may be violations of Louisiana Revised Statute (R.S.) 14:133 relating to "Filing or Maintaining False Public Records" and R.S. 14:138, "Public Payroll Fraud." In addition, Southern University System (SUS) Board Policy, Section 2-5, requires that a Personnel Action Form (PAF) be completed for all personnel actions and transmitted to the president for approval and confirmation by the SUS Board of Supervisors.

## LEGISLATIVE AUDITOR

### SOUTHERN UNIVERSITY SYSTEM STATE OF LOUISIANA

#### Compliance and Internal Control Report

December 17, 2002

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A review of both personnel and payroll records disclosed that SUNO paid Mr. Pennington, a part-time instructor in the Criminal Justice Graduate Program, a total of \$44,000 over a two and one-half year period to teach two graduate criminal justice classes per semester for five semesters. However, class records for these semesters (fall 1999, spring 2000, fall 2000, spring 2001, and fall 2001) indicate the instructor taught only one class per semester. Also, the required PAFs were not on file for the instructor's part-time teaching appointment for the 2001 fiscal year or to record the leave of absence granted by the director of the Criminal Justice Program for the spring 2002 semester.

We are in possession of nine copies of Departmental Attendance Records for nine months during the 2001 calendar year. Each of these records, identified as Faculty and Staff Payroll Records, provides that Mr. Pennington worked exactly 176 total hours each month. The signatures of Mr. Pennington do not appear to be consistent on each document nor do the documents indicate in all instances that the signatures of the authorized approvers on each form appear authentic. Mr. Pennington asked for and was granted a leave of absence effective November 21, 2001, yet for the period ended December 12, 2001, the Faculty and Staff Payroll record indicates he worked 176 hours, which is the same for all nine periods examined. All three signatures on the December form do not appear to be the valid signature of each of those who should have signed the form.

In a September 11, 2002, initial response from Dr. Leon R. Tarver, President of SUS, to our draft finding, we were told that Mr. Pennington was authorized to teach only one class per semester and that he was to allocate the additional contracted time for recruiting, advising, and counseling students.

R.S. 14:133 provides, in part, that filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, any forged document, any wrongfully altered document, or any document containing a false statement or false representation of a material fact. R.S. 14:138 provides, in part, that payroll fraud is committed when any public officer or public employee shall carry, cause to be carried, or permit to be carried directly or indirectly, upon the employment list or payroll of his office, the name of any person as employee, or shall pay any employee, with knowledge that such employee is receiving payment or compensation for services not actually rendered by said employee or for services grossly inadequate for such payment or compensation. The actions of Mr. Pennington and various university employees may be a violation of both of these laws.

SUNO should establish adequate internal control procedures to ensure that instructors and employees are paid only for those services rendered in accordance with PAFs and

## LEGISLATIVE AUDITOR

### SOUTHERN UNIVERSITY SYSTEM STATE OF LOUISIANA

#### Compliance and Internal Control Report

December 17, 2002

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that required payroll forms are accurately completed. The SUS needs to present the issues relating to false public records and public payroll fraud to the local district attorney. The actual determination as to whether any individual is subject to formal charge is at the discretion of the district attorney. Management concurred in part with the finding and recommendation and outlined a corrective action plan (see Appendix A, pages 1-4).

**Additional Comment:** The director of the Criminal Justice Program, Dr. Anadi, who had the responsibility of signing Mr. Pennington's attendance records also authorized Mr. Pennington to perform services other than teaching. According to Mr. Pennington's campaign disclosures, the director and his spouse contributed \$5,000 each to Mr. Pennington's mayoral campaign.

#### **Other Compliance Matters**

The Investigative Audit Division of the Office of Legislative Auditor has performed an investigation of the Family and Community Violence Prevention and Crimes Against Women programs. A report was issued on this investigation on November 20, 2002. This report found that payments from two grants totaling \$14,983 were either personal in nature, for services not provided, or were unrelated to the grant program.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Southern University System's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted the matter relating to teaching services, as mentioned in the compliance section of this report, that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Southern University System's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions

**LEGISLATIVE AUDITOR**

**SOUTHERN UNIVERSITY SYSTEM  
STATE OF LOUISIANA**

Compliance and Internal Control Report

December 17, 2002

Page 4

that are also considered to be material weaknesses. However, we believe that the reportable condition described previously is not a material weakness.

This report is intended solely for the information and use of the Southern University System and its management and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with the first name "Daniel" being the most prominent part.

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

FVP:BMcC:RCL:ss

[SU02]

## Appendix A

### Management's Corrective Action Plan and Response to the Finding and Recommendation



## SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM

BATON ROUGE, LOUISIANA 70813  
(225) 771-2011

Baton Rouge, New Orleans.  
Shreveport/Bossier City  
LOUISIANA

Office of the President  
(225) 771-4680

Fax Number  
(225) 771-5522

December 4, 2002

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
STATE OF LOUISIANA  
1600 North Third Street  
Baton Rouge, LA 70804-9397

RE: Part-time Instructor Paid for Teaching Services not Provided

Dear Dr. Kyle:

We concur with the audit finding that Mr. Pennington did not teach two classes, but do not concur with the part of the finding that states Mr. Pennington was paid for services not provided.

We also concur that some of the signatures on the SUNO attendance reports for Mr. Pennington may not be his signature but we have no evidence that the attendance reports were fraudulently prepared.

Even though the university did not have a copy of the personnel action form for the 2000 – 2001 academic year, Mr. Pennington and his salary are listed in the SUNO 2000 – 2001 budget approved by the Southern University Board of Supervisors.

The director of the Criminal Justice program has confirmed that even though the comment section of Mr. Pennington's personnel action form (PAF) indicated that two classes would be taught per semester, he directed Mr. Pennington to teach one class per semester and to allocate the additional contracted time for recruiting, advising and counseling students.

We agree that the departmental attendance reports for the nine months showed that Mr. Pennington worked 176 hours per month (full time). We believe, however, that the departmental time preparer made a mistake rather than the payroll being fraudulently prepared. Further, the salary paid to Mr. Pennington did not exceed the approved monthly part-time rate of pay.

The new chancellor at SUNO has indicated that the payroll for part-time workers will have the actual number of hours worked and employees have been directed to sign their own timesheets.



Dr. Kyle  
December 4, 2002  
Page 2

Enclosed is a copy of Mr. Pennington's leave of absence granted by the Director of the Criminal Justice program for the Spring 2002 semester and the Director's letter regarding the allocation of time by Mr. Pennington.

The Southern University at New Orleans Human Resource office is continuing its practice of conducting training classes for supervisors on the proper preparation of personnel action forms. The Chancellor of the New Orleans campus will issue a directive to university employees concerning the proper preparation of personnel action forms. Section heads are required to ensure personnel action forms contain accurate information and that changes to the stated information are made and approved timely.

Sincerely,

A handwritten signature in black ink, appearing to read 'Leon R. Tarver II', is written over a horizontal line.

Leon R. Tarver II, Ph. D.  
President  
Southern University System

LRT/rdc

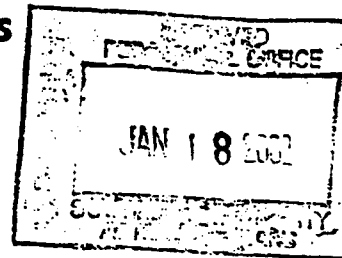
Enclosure



Criminal Justice Program

# Southern University at New Orleans

6400 Press Drive  
New Orleans, LA 70126  
(504) 284-5478  
FAX (504) 284-5519



Dr. Allison Anadi  
Director, Criminal Graduate Justice Program  
6400 Press Drive  
Southern University at New Orleans  
New Orleans, Louisiana 70126

November 14, 2001

Dear Dr. Anadi:

I am requesting a leave of absence from Southern University at New Orleans for January thru May, Spring 2002. I currently teach two courses part time; Human Resource Management and Introduction to Police Administration in the graduate program. I will be making an announcement in the near future to become a candidate for Mayor of New Orleans. Please make this leave of absence effective November 21, 2001. I hope this notice will give you an opportunity to find a suitable replacement.

*Approved*  
*Allison Anadi*  
*11/16/01*

Sincerely,

Richard Pennington  
Adjunct Professor  
Criminal Justice Graduate Program



## Southern University at New Orleans

6400 Press Drive  
New Orleans, LA 70126  
(504) 284-5478  
FAX (504) 284-5519

### Criminal Justice Program

To: Dr. Press Robinson  
Chancellor  
Southern University at New Orleans

From: Dr. Allison Anadi *AA*  
Director  
Criminal Justice Graduate Program

Date: December 4, 2002

Subject: Chief Richard Pennington's Workload during Fall 1999, Spring 2000,  
Fall 2000, Spring 2001 and Fall 2001 Semester

This is to reconfirm that during the above mention semesters, that Chief Richard Pennington taught one graduate class each semester. Due to the fact that Chief Pennington had great talent in recruitment and attracting students to our program, I approved of him to teach only one class each semester and to complete his expected workload with recruitment, student advisement and counseling activities. His recruitment activities helped to generate an increase in enrollment for Criminal Justice Graduate Program

My decision was based on how best to utilize our resources for the benefit of our students, program, the university and the community. The same criteria was used when I permitted Dr. Tyrone Gibbs to teach two classes instead of three, to allow him time to work more closely with students interested in participating in Thesis Project in our program. Since it may not look very good for our program to graduate 70 or more students without a single thesis project, I deemed it reasonable to allow Dr. Gibbs more time during the semester to achieve that.

Each time, in the case of Richard Pennington and Dr. Tyrone Gibbs, I arrived at a decision that I deemed positive for our program and students.

Thank you.

Cc: Graduate Studies File  
Criminal Justice Graduate Program File